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C O N F I D E N T I A L HAVANA 000279

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TAGS: [ECON](#) [PGOV](#) [PINR](#) [PREL](#) [CU](#)

SUBJECT: CUBA: TOURISM APARTHEID DEALT A BLOW, MAYBE

REF: A. 2007 HAVANA 342

[1](#)B. HAVANA 278

Classified By: COM: Michael E. Parmly: For reasons 1.4 b/d

[1](#)1. (C) SUMMARY: The GOC has lifted its ban on Cubans staying in hotels on the island. The measure will be economically and politically beneficial for the GOC and to a small number of Cubans. However, an economic barrier remains between the average Cuban and a hotel stay. End Summary.

[1](#)2. (U) Literally overnight, the GOC lifted its ban on Cubans staying in hotels on the island. In addition, Cubans are now permitted to rent cars, a service that is usually only available at hotels. There was no official announcement but the measure, as confirmed by many hotel and car rental workers as well as the press, went into effect on Monday, March 31.

[1](#)3. (C) Although the measure's execution was carried out overnight, it had been thoroughly studied by GOC decisionmakers. As several Cuban economists revealed to Econoff at a conference in Montreal, Canada on September 2007, the GOC had been amenable to lifting the ban for some time and had elicited studies on the matter from academics.

[1](#)4. (C) In 2007 Cuban tourism showed its worst performance in 15 years and, per Reftel A, its problems are systemic and not easily solved in the short term. By tapping into a small -- but, depending on future GOC policies, potentially growing -- segment of Cubans who have either the purchasing power or access to remittances, lifting the ban could provide a shot in the arm to the ailing tourism industry by filling some of the many vacant rooms.

Comment:

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[1](#)5. (C) By providing both an incentive and an outlet for consumption, lifting the ban, along with the other new concessions, follows the GOC's assertion that "those who produce more will be rewarded more." Now the only remaining -- albeit gigantic -- obstacle for Cubans to stay in hotels is being able to afford it. Politically, by removing the ban the GOC has essentially taken away the basis for the "tourism apartheid" characterization. We expect the GOC will exploit this in its lobbying for international support. However, per

Reftel B, the GOC has already shown a disposition to restrict access to Cubans it may perceive as threats, such as the members of the opposition. Economically, the measure provides another source of hard currency for the GOC and because so few Cubans can afford a hotel stay, the measure will cause no undue economic dislocation or income inequality among the population in the short term.

16. (C) It remains to be seen whether the GOC will attempt to make hotel stays more affordable for the average Cuban, but we believe that would be unlikely for the following reasons: a. It would be yet another form of GOC subsidization, which the GOC is currently trying to avoid; b. Hotel rooms at a discount -- but still profitable -- for Cubans would be one thing, but the discount needed to make it affordable to Cubans so large that it would be economically unsustainable, and foreign partners would not go along with it; c. As opposed to making hotels more affordable, the GOC's declared intent is to grow the economy so that in the long run more and more Cubans can afford hotels -- a very long-term plan indeed.

PARMLY